

OCT 17 2013

FCC Mail Room

# Henderson Cooperative Telephone Company

P.O. Box 487 Henderson, NE 68371 (402) 723-4448

October 1, 2013

Office of the Secretary  
Federal Communications Commission  
9300 East Hampton Drive  
Capitol Heights, MD 20743

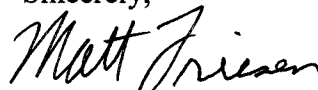
Re: Connect America Fund Docket WC 10-90, et. al.  
Re: FCC form 481 reporting requirement

Dear Office of the Secretary:

In the USF ICC Reform Order adopted October 27, 2011 by the Federal Communications Commission (FCC) in Docket WC 10-90 et. al, and in subsequent clarifications and Public Notices pertaining to that Order, the FCC adopted certain reporting requirements applicable to eligible telecommunications carriers. In compliance with such reporting requirements, Henderson Cooperative Telephone Company hereby files with the FCC two copies of the form 481. Henderson Cooperative Telephone Company has filed an electronic filing with the Universal Service Administrative Company (USAC) and the Nebraska Public Service Commission for 2012 which satisfies the FCC's reporting requirements.

If you have any questions, please give me a call.

Sincerely,



Matt Friesen  
General Manager

No. of Copies rec'd  
List ABCDE

0+1

OCT 17 2013

Page 1

FCC Mail Room

**FCC Form 481 - Carrier Annual Reporting  
Data Collection Form**FCC Form 481  
OMB Control No. 3060-0966/OMB Control No. 3060-0819  
July 2013

<010> Study Area Code	371559
<015> Study Area Name	HENDERSON CO-OP TEL
<020> Program Year	2014
<030> Contact Name: Person USAC should contact with questions about this data	Matt Friesen
<035> Contact Telephone Number: Number of the person identified in data line <030>	(402) 723-4448
<039> Contact Email Address: Email of the person identified in data line <030>	mrfriesen@mainstaycomm.net

ANNUAL REPORTING FOR ALL CARRIERS		54.313 Completion Required	54.422 Completion Required
<100> Service Quality Improvement Reporting	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<200> Outage Reporting (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<210> <input checked="" type="checkbox"/> <-- check box if no outages to report		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<300> Unfulfilled Service Requests (voice)	0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<310> Detail on Attempts (voice)	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<320> Unfulfilled Service Requests (broadband)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<330> Detail on Attempts (broadband)	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<400> Number of Complaints per 1,000 customers (voice)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<410> Fixed	0.0	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<420> Mobile		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<430> Number of Complaints per 1,000 customers (broadband)		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<440> Fixed		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<450> Mobile		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<500> Service Quality Standards & Consumer Protection Rules Compliance	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<510> 371559ne510	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<600> Functionality in Emergency Situations	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<610> 371559ne610	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<700> Company Price Offerings (voice)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<710> Company Price Offerings (broadband)	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<800> Operating Companies and Affiliates	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<900> Tribal Land Offerings (Y/N)? <input type="radio"/> <input checked="" type="radio"/>	(if yes, complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1000> Voice Services Rate Comparability	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1010> <input type="radio"/> <input checked="" type="radio"/>	(attach descriptive document)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1100> Terrestrial Backhaul (Y/N)? <input checked="" type="radio"/> <input type="radio"/>	(if not, check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1110> <input type="radio"/> <input checked="" type="radio"/>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<1200> Terms and Condition for Lifeline Customers	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**Price Cap Carriers, Proceed to Price Cap Additional Documentation Worksheet**

Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers

<2000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<2005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**Rate of Return Carriers, Proceed to ROR Additional Documentation Worksheet**

<3000>	(check to indicate certification)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
<3005>	(complete attached worksheet)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**(100) Service Quality Improvement Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

371559

&lt;010&gt; Study Area Code

&lt;015&gt; Study Area Name HENDERSON CO-OP TEL

&lt;020&gt; Program Year 2014

&lt;030&gt; Contact Name - Person USAC should contact regarding this data Matt Friesen

&lt;035&gt; Contact Telephone Number - Number of person identified in data line &lt;030&gt; (402) 723-4448

&lt;039&gt; Contact Email Address - Email Address of person identified in data line &lt;030&gt; mrfriesen@mainstaycomm.net

<110> Has your company received its ETC certification from the FCC? (yes / no) ☒If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC? (yes / no) ☐

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Name of Attached Document (.pdf)

Please check these boxes below to confirm that the attached PDF, on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.


&lt;113&gt; Maps detailing progress towards meeting plan targets

&lt;114&gt; Report how much universal service (USF) support was received

&lt;115&gt; How (USF) was used to improve service quality

&lt;116&gt; How (USF) was used to improve service coverage

&lt;117&gt; How (USF) was used to improve service capacity

&lt;118&gt; Provide an explanation of network improvement targets not met in the prior calendar year.

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

[illegible]

OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

**<702> Single State-wide**

<703>

[illegible]



**(800) Operating Companies  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986 / OMB Control No. 3060-0819  
July 2013

<010> Study Area Code

371559

<015> Study Area Name

HENDERSON CO-OP TEL

<020> Program Year

2014

<030> Contact Name - Person USAC should contact regarding this data

Matt Friesen

<035> Contact Telephone Number - Number of person identified in data line <030>

(402) 723-4448

<039> Contact Email Address - Email Address of person identified in data line <030>

mrfriesen@mainstaycomm.net

<810> Reporting Carrier

Henderson Cooperative Telephone Co.

<811> Holding Company

NA

<812> Operating Company

NA

<813>

<a1>

Affiliates

<a2>

SAC

<a3>

Doing Business As Company or Brand Designation

-- See attached worksheet --

**(900) Tribal Lands Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	371559
<015>	Study Area Name	HENDERSON CO-OP TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Matt Friesen
<035>	Contact Telephone Number - Number of person identified in data line <030>	(402) 723-4448
<039>	Contact Email Address - Email Address of person identified in data line <030>	mrfriesen@mainstaycomm.net

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document (.pdf)

If your company serves Tribal lands, please select (Yes, No, NA) for each of these boxes to confirm the status described on the attached PDF, on line 920, demonstrates coordination with the Tribal government pursuant to § 54.313(a)(9) includes:

Select (Yes, No, NA)	
	<921> Needs assessment and deployment planning with a focus on Tribal community anchor institutions;
	<922> Feasibility and sustainability planning;
	<923> Marketing services in a culturally sensitive manner;
	<924> Compliance with Rights of way processes
	<925> Compliance with Land Use permitting requirements
	<926> Compliance with Facilities Siting rules
	<927> Compliance with Environmental Review processes
	<928> Compliance with Cultural Preservation review processes
	<929> Compliance with Tribal Business and Licensing requirements.



**(1100) No Terrestrial Backhaul Reporting  
Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	371559
<015>	Study Area Name	HENDERSON CO-OP TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Matt Priesen
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<039>	Contact Email Address - Email Address of person identified in data line <030>	mrfriesen@mainstaycomm.net

<1120> Please check this box to confirm no terrestrial backhaul options exist within the supported area pursuant to § 54.313(G) ☐

<1130> Please check this box to confirm the reporting carrier offers broadband service of at least 1 Mbps downstream and 256 kbps upstream within the supported area pursuant to § 54.313(G) ☐

**(1200) Terms and Condition for Lifeline Customers**  
**Lifeline**  
**Data Collection Form**

FCC Form 481

OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	371559
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<020>	Program Year	2014
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<035>	Contact Telephone Number - Number of person identified in data line <030>	(402) 723-4448
<039>	Contact Email Address - Email Address of person identified in data line <030>	mfriesen@mainstaycomm.net

<1210>	Terms & Conditions of Voice Telephony Lifeline Plans	371559ne1210	Name of attached document (.pdf)
<1220>	Link to Public Website	HTTP	

"Please check these boxes below to confirm that the attached PDF, on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

<1221>	Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers,	<input checked="" type="checkbox"/>
<1222>	Details on the number of minutes provided as part of the plan,	<input checked="" type="checkbox"/>
<1223>	Additional charges for toll calls, and rates for each such plan.	<input checked="" type="checkbox"/>

**(2000) Price Cap Carrier Additional Documentation**  
**Data Collection Form**  
**Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010>	Study Area Code	371559
<015>	Study Area Name	HENDERSON CO-OP TEL
<020>	Program Year	2014
<030>	Contact Name - Person USAC should contact regarding this data	Matt Priesen
<035>	Contact Telephone Number - Number of person identified in data line <030>	(402) 723-4448
<039>	Contact Email Address - Email Address of person identified in data line <030>	mrfriesen@mainstaycomm.net

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

<b>Incremental Connect America Phase I reporting</b>		
<2010>	2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<2011>	3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
<b>Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))</b>		
<2012>	2013 Frozen Support Certification	<input type="checkbox"/>
<2013>	2014 Frozen Support Certification	<input type="checkbox"/>
<2014>	2015 Frozen Support Certification	<input type="checkbox"/>
<2015>	2016 and future Frozen Support Certification	<input type="checkbox"/>
<b>Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))</b>		
<2016>	Certification Support Used to Build Broadband	<input type="checkbox"/>
<b>Connect America Phase II Reporting (47 CFR § 54.313(e))</b>		
<2017>	3rd year Broadband Service Certification	<input type="checkbox"/>
<2018>	5th year Broadband Service Certification	<input type="checkbox"/>
<2019>	Interim Progress Certification	<input type="checkbox"/>
<2020>	Please check the box to confirm that the attached PDF, on line 2021, contains the required information pursuant to § 54.313 (e)(3)(iii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<input type="checkbox"/>
<2021>	Interim Progress Community Anchor Institutions	
		Name of Attached Document Listing Required Information

**(3000) Rate Of Return Carrier Additional Documentation**  
**Data Collection Form**

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010> Study Area Code 371559  
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<020> Program Year 2014  
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<035> Contact Telephone Number - Number of person identified in data line <030> (402) 723-4448  
<039> Contact Email Address - Email Address of person identified in data line <030> mrf.iseen@mainstaycomm.net

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.202(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

	Progress Report on 5 Year Plan	Name of Attached Document Listing Required Information	
(3010)	Milestone Certification (47 CFR § 54.313(f)(1)(i)) Please check this box to confirm that the attached PDF, on line 3012, contains the required information pursuant to § 54.313(f)(1)(i), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.		<input type="checkbox"/> (Yes/No)
(3011)	Community Anchor Institutions (47 CFR § 54.313(f)(1)(ii)) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2)) If yes, does your company file the RUS annual report Please check these boxes to confirm that the attached PDF, on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires: Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers) PDF of Balance Sheet, Income Statement and Statement of Cash Flows If the response is yes on line 3014, attach your company's RUS annual report and all required documentation If the response is no on line 3014, is your company audited? If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Either a copy of their audited financial statement; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications PDF of Balance Sheet, Income Statement and Statement of Cash Flows Management letter issued by the independent certified public accountant that performed the company's financial audit. If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains: Copy of their financial statement which has been subject to review by an independent certified public accountant; or 2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers. Underlying information subjected to a review by an independent certified public accountant Underlying information subjected to an officer certification. PDF of Balance Sheet, Income Statement and Statement of Cash Flows Attach the worksheet listing required information		<input checked="" type="checkbox"/> (Yes/No) <input checked="" type="checkbox"/> (Yes/No) <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> 371559ne3017 <input type="checkbox"/> (Yes/No)
(3012)			<input type="checkbox"/>
(3013)			<input type="checkbox"/>
(3014)			<input type="checkbox"/>
(3015)			<input type="checkbox"/>
(3016)			<input type="checkbox"/>
(3017)			<input type="checkbox"/>
(3018)			<input type="checkbox"/>
(3019)			<input type="checkbox"/>
(3020)			<input type="checkbox"/>
(3021)			<input type="checkbox"/>
(3022)			<input type="checkbox"/>
(3023)			<input type="checkbox"/>
(3024)			<input type="checkbox"/>
(3025)			<input type="checkbox"/>
(3026)			<input type="checkbox"/>

<b>Certification - Reporting Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	371559
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<035> Contact Telephone Number - Number of person identified in data line <030>	(402) 723-4448
<039> Contact Email Address - Email Address of person identified in data line <030>	mrfriesen@mainstaycomm.net

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier:	HENDERSON CO-OP TEL
Signature of Authorized Officer:	CERTIFIED ONLINE Date 09/30/2013
Printed name of Authorized Officer:	James Mestl
Title or position of Authorized Officer:	Board President
Telephone number of Authorized Officer:	402-723-4448
Study Area Code of Reporting Carrier:	371559 Filing Due Date for this form: 10/15/2013
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

<b>Certification - Agent / Carrier Data Collection Form</b>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	371559
<015> Study Area Name	HENDERSON CO-OP TEL
<020> Program Year	2014
<030> Contact Name - Person USAC should contact regarding this data	Matt Friesen
<035> Contact Telephone Number - Number of person identified in data line <030>	(402) 723-4448
<039> Contact Email Address - Email Address of person identified in data line <030>	mrfriesen@mainstaycomm.net

**TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:**

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

**TO BE COMPLETED BY THE AUTHORIZED AGENT:**

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

## Attachments

(800) Operating Companies  
Data Collection Form

FCC Form 481  
OMB Control No. 3060-0986/OMB Control No. 3060-0819  
July 2013

<010> Study Area Code

371559

<015> Study Area Name

HENDERSON CO-OP TEL

<020> Program Year

2014

<030> Contact Name - Person USAC should contact regarding this data

Matt Priesen

<035> Contact Telephone Number - Number of person identified in data line <030>

(402) 723-4448

<039> Contact Email Address - Email Address of person identified in data line <030>

mfpriesen@mainstaycomm.net

<810> Reporting Carrier

Henderson Cooperative Telephone Co.

<811> Holding Company

NA

<812> Operating Company

NA

<813>

<a1>

Affiliates

Tri-Rural TV, Inc.

Mainstay Technologies, LLC

<a2>

SAC

Mainstay Communications

Mainstay Communications

<a3>

Doing Business As Company or Brand Designation



**SAC:** 371559  
**Carrier Name:** Henderson Cooperative Telephone Company  
**Filing:** Form 481 due 10/15/13

**Line 510 – Description of Compliance with Service Quality Standards and Consumer Protection**

FCC 47 C.F.R. 54.313(a)(5) and Nebraska Administrative Code, Title 291 – Nebraska Public Service Commission (NPSC), Chapter 5, Section 009.04A5 state that a carrier is to comply with applicable service quality standards and consumer protection rules. Henderson Cooperative Telephone Company's ("Company") compliance activities are described below.

**Service Quality**

- The Company's facilities are designed to meet RUS practices which list minimum technical requirements to deploy in the Company's voice network to provide reasonable assurance that voice customers receive a consistently high level of service quality. Administrative Code, Title 291 – NPSC, Chapter 5, Section 002.01 through 002.52 sets forth 47 pages of regulations that are applicable to the Company's local service offering. Interspersed within these regulations are some service quality standards. The Company was in compliance with those standards during 2012. The Company provides ready access to customer service representatives during normal business hours. On duty personnel promptly respond to issues reported by customers after normal business hours.

**Consumer Protection**

The Company strives to ensure its customers and their data are protected. Consumer protection compliance procedures include:

- The Company's rates and terms are listed in its local service tariff which is approved by the NPSC. The tariff is available for consumer viewing at either the Company's office or the NPSC.
- The Company's bills separately and clearly identify service charges and taxes.
- The Company complies with the FCC's Customer Proprietary Network Information (CPNI) requirements that safeguard customer information from unauthorized disclosure (47 C.F.R. Part 64, Subpart U).

- The Company complies with the Federal Trade Commission's Identity Theft Red Flag provisions (16 C.F.R. Part 681).
- The Company complies with the FCC's Truth-In-Billing Requirements (47 C.F.R. 64.2400).
- Administrative Code, Title 291 – NPSC, Chapter 5, Section 002.01 through 002.52 sets forth 47 pages of regulations that are applicable to the Company's local service offering. Interspersed within these regulations are some consumer protection standards. The Company was in compliance with those standards during 2012.

**SAC:** 371559  
**Carrier Name:** Henderson Cooperative Telephone Company  
**Filing:** Form 481 due 10/15/13

**Line 610 – Description of Functionality in Emergency Situations**

FCC 47 C.F.R. 54.313(a)(6) and Nebraska Administrative Code, Title 291 – Nebraska Public Service Commission (NPSC), Chapter 5, Section 009.04A6 indicate that a carrier should be able to function in emergency situations as set forth in section 54.202(a)(2). FCC C.F.R. 54.202(a)(2) states a carrier should: "Demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations".

Henderson Cooperative Telephone Company ("Company") facilities are designed to meet RUS practices so that minimum technical requirements are implemented in the Company's network to provide reasonable assurance that the Company will be able to meet industry standards with regard to functioning in emergency situations.

If commercial electrical power is lost, the Company has both battery and diesel generator back-up power available to operate central office equipment. Central office equipment normally operates on battery power with the battery being constantly charged. When commercial electrical service is interrupted the fully charged battery is capable of powering the equipment. If electrical power is not restored within a few minutes, then the diesel generator automatically activates to supply electrical power and continue charging the battery. The battery backup can function for several hours should the generator fail to automatically activate or ceases operation. The generator can function nearly indefinitely as long as fuel is available. The generator and batteries are inspected and tested periodically and maintenance is performed when necessary.

The Company has two toll routes extending from its one central office. The Company's switch and toll facilities are designed to comply with RUS and NPSC traffic handling guidelines. Company personnel receive training that may assist them in responding to power outages, damaged facilities and traffic spikes.

**SAC:** 371559  
**Carrier Name:** Henderson Cooperative Telephone Company  
**Filing:** Form 481 due 10/15/13

**Line 1210 – Terms and Conditions of Voice Telephony Lifeline**

Henderson Cooperative Telephone Company ("Company") participates in the Nebraska Telephone Assistance Program (NTAP) which is administered by the Nebraska Public Service Commission. NTAP assists qualifying individuals with keeping telephone services affordable by lowering monthly service rates. The Company offers all residential customers a Single Party Residence Service priced at \$17.95 which includes unlimited local minutes. Qualifying Lifeline customers receive the \$17.95 residential service offering less a \$12.75 NTAP discount which appears as a credit on the Lifeline customer's monthly telephone bill. To qualify for NTAP, an individual must complete an application form and provide proof of eligibility to NTAP. After NTAP approves the application, the Company is directed by NTAP to provide the monthly NTAP discount to the approved customer.

The Company does not provide toll (long distance) service. The Company's customers, including Lifeline customers, are given a list of toll providers from which to select. Customers select the toll provider of their choice along with one of the toll packages offered by their selected provider. The toll charges, if any, that a Lifeline customer may incur are in addition to the monthly local service charge. The Company is not aware of the toll minutes, rates, terms or conditions included in the toll packages selected by their Lifeline customers.

<b>USDA-RUS</b>  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	<i>This data will be used by RUS to review your financial situation. Your response is required by 7 U.S.C. 901 et seq. and, subject to federal laws and regulations regarding confidential information, will be treated as confidential.</i> <b>BORROWER NAME</b> Henderson Cooperative Telephone Company  (Prepared with Audited Data)
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<b>INSTRUCTIONS-</b> Submit report to RUS within 30 days after close of the period. For detailed instructions, see RUS Bulletin 1744-2. Report in whole dollars only.	<b>PERIOD ENDING</b> December, 2012	<b>BORROWER DESIGNATION</b> NE0555
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<b>CERTIFICATION</b>  We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief. <b>ALL INSURANCE REQUIRED BY 7 CFR PART 1788, CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.</b>  <b>DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1788 OF 7CFR CHAPTER XVII</b> (Check one of the following)	
<input checked="" type="checkbox"/> All of the obligations under the RUS loan documents have been fulfilled in all material respects.	<input type="checkbox"/> There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in the Telecom Operating Report
Matt Friesen	3/28/2013 DATE

PART A. BALANCE SHEET					
ASSETS	BALANCE PRIOR YEAR	BALANCE END OF PERIOD	LIABILITIES AND STOCKHOLDERS' EQUITY	BALANCE PRIOR YEAR	BALANCE END OF PERIOD
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
1. Cash and Equivalents	3,146,941	4,342,482	25. Accounts Payable	176,053	1,070,135
2. Cash-RUS Construction Fund	0	754,496	26. Notes Payable		
3. Affiliates:			27. Advance Billings and Payments	54,875	58,796
a. Telecom, Accounts Receivable			28. Customer Deposits	1,817	2,502
b. Other Accounts Receivable	190,129	178,231	29. Current Mat. L/T Debt	241,736	252,917
c. Notes Receivable			30. Current Mat. L/T Debt-Rur. Dev.		
4. Non-Affiliates:			31. Current Mat.-Capital Leases		
a. Telecom, Accounts Receivable	163,852	154,318	32. Income Taxes Accrued		
b. Other Accounts Receivable			33. Other Taxes Accrued	40,407	29,799
c. Notes Receivable	86,174	83,915	34. Other Current Liabilities	112,369	115,216
5. Interest and Dividends Receivable	429	98	<b>35. Total Current Liabilities (25 thru 34)</b>	<b>627,257</b>	<b>1,529,365</b>
6. Material-Regulated	17,759	10,965	<b>LONG-TERM DEBT</b>		
7. Material-Nonregulated	448	392	36. Funded Debt-RUS Notes	443,626	1,820,711
8. Prepayments	72,986	55,710	37. Funded Debt-RTB Notes	557,650	480,953
9. Other Current Assets			38. Funded Debt-FFB Notes		
<b>10. Total Current Assets (1 Thru 9)</b>	<b>3,678,718</b>	<b>5,580,607</b>	39. Funded Debt-Other		
<b>NONCURRENT ASSETS</b>			40. Funded Debt-Rural Develop. Loan	500,000	500,000
11. Investment in Affiliated Companies			41. Premium (Discount) on L/T Debt		
a. Rural Development			42. Reacquired Debt		
b. Nonrural Development	1,923,433	1,846,644	43. Obligations Under Capital Lease		
12. Other Investments			44. Adv. From Affiliated Companies		
a. Rural Development			45. Other Long-Term Debt		
b. Nonrural Development	1,052,528	747	<b>46. Total Long-Term Debt (36 thru 45)</b>	<b>1,501,276</b>	<b>2,801,664</b>
13. Nonregulated Investments	3,150	57	<b>OTHER LIAB. &amp; DEF. CREDITS</b>		
14. Other Noncurrent Assets	454,965	359,051	47. Other Long-Term Liabilities		
15. Deferred Charges			48. Other Deferred Credits		
16. Jurisdictional Differences			49. Other Jurisdictional Differences		
<b>17. Total Noncurrent Assets (11 thru 16)</b>	<b>3,434,076</b>	<b>2,206,499</b>	<b>50. Total Other Liabilities and Deferred Credits (47 thru 49)</b>	<b>0</b>	<b>0</b>
<b>PLANT, PROPERTY, AND EQUIPMENT</b>			<b>EQUITY</b>		
18. Telecom, Plant-in-Service	6,018,780	7,619,156	51. Cap. Stock Outstand. & Subscribed		
19. Property Held for Future Use			52. Additional Paid-in-Capital		
20. Plant Under Construction	6,580	444,258	53. Treasury Stock		
21. Plant Adj., Nonop. Plant & Goodwill			54. Membership and Cap. Certificates	14,180	14,360
22. Less Accumulated Depreciation	3,684,717	3,986,244	55. Other Capital	(9,625)	0
<b>23. Net Plant (18 thru 21 less 22)</b>	<b>2,340,643</b>	<b>4,077,170</b>	56. Patronage Capital Credits	4,897,554	5,167,858
<b>24. TOTAL ASSETS (10+17+23)</b>			57. Retained Earnings or Margins	2,422,795	2,351,029
			<b>58. Total Equity (51 thru 57)</b>	<b>7,324,904</b>	<b>7,533,247</b>
			<b>59. TOTAL LIABILITIES AND EQUITY (35+46+50+58)</b>		
	9,453,437	11,864,276		9,453,437	11,864,276

Total Equity = 63.50% % of Total Assets

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		NB0555	
		PERIOD ENDING	
INSTRUCTIONS- See RUS Bulletin 1744-2		December, 2012	
PART B. STATEMENTS OF INCOME AND RETAINED EARNINGS OR MARGINS			
ITEM		PRIOR YEAR	THIS YEAR
1. Local Network Services Revenues		228,894	226,652
2. Network Access Services Revenues		1,361,608	1,405,112
3. Long Distance Network Services Revenues			
4. Carrier Billing and Collection Revenues		6,026	5,182
5. Miscellaneous Revenues		3,905	4,017
6. Uncollectible Revenues		(941)	(445)
7. Net Operating Revenues (1 thru 5 less 6)		1,601,374	1,641,408
8. Plant Specific Operations Expense		393,436	381,136
9. Plant Nonspecific Operations Expense (Excluding Depreciation & Amortization)		56,922	60,764
10. Depreciation Expense		382,089	337,359
11. Amortization Expense			
12. Customer Operations Expense		83,170	81,325
13. Corporate Operations Expense		457,229	479,468
14. Total Operating Expenses (8 thru 13)		1,372,846	1,340,052
15. Operating Income or Margins (7 less 14)		228,528	301,356
16. Other Operating Income and Expenses			
17. State and Local Taxes			
18. Federal Income Taxes			
19. Other Taxes		42,441	35,729
20. Total Operating Taxes (17+18+19)		42,441	35,729
21. Net Operating Income or Margins (15+16-20)		186,087	265,627
22. Interest on Funded Debt		104,607	100,578
23. Interest Expense - Capital Leases			
24. Other Interest Expense			8
25. Allowance for Funds Used During Construction			8,951
26. Total Fixed Charges (22+23+24-25)		104,607	91,635
27. Nonoperating Net Income		175,657	62,971
28. Extraordinary Items			
29. Jurisdictional Differences			
30. Nonregulated Net Income		(18,052)	(5,328)
31. Total Net Income or Margins (21+27+28+29+30-26)		239,085	231,635
32. Total Taxes Based on Income		8,420	20,983
33. Retained Earnings or Margins Beginning-of-Year		2,408,868	2,422,795
34. Miscellaneous Credits Year-to-Date			
35. Dividends Declared (Common)			
36. Dividends Declared (Preferred)			
37. Other Debits Year-to-Date			
38. Transfers to Patronage Capital		225,158	303,401
39. Retained Earnings or Margins End-of-Period [(31+33+34) - (35+36+37+38)]		2,422,795	2,351,029
40. Patronage Capital Beginning-of-Year		4,906,118	4,897,554
41. Transfers to Patronage Capital		225,158	303,401
42. Patronage Capital Credits Retired		233,722	33,097
43. Patronage Capital End-of-Year (40+41-42)		4,897,554	5,167,858
44. Annual Debt Service Payments		336,329	342,474
45. Cash Ratio [(14+20-10-11) / 7]		0.6452	0.6326
46. Operating Accrual Ratio [(14+20+26) / 7]		0.9491	0.8940
47. TIER [(31+26) / 26]		3.2856	3.5278
48. DSCR [(31+26+10+11) / 44]		2.1579	1.9290

USDA-RUS

# **OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

NE0555

PERIOD ENDED

December, 2012

## **Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

EXCHANGE	1. RATES		2. SUBSCRIBERS (ACCESS LINES)			3. ROUTE MILES	
	B-1	R-1	BUSINESS	RESIDENTIAL	TOTAL	TOTAL (including fiber)	FIBER
	(a)	(b)	(a)	(b)	(c)	(a)	(b)
Henderson	27.50	17.50	232	599	831	307.52	167.54
MobileWireless					0		
Route Mileage Outside Exchange Area						0.00	0.00
Total			232	599	831	307.52	167.54
No. Exchanges	1						

USDA-RUS

# **OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS**

INSTRUCTIONS - See RUS Bulletin 1744-2

BORROWER DESIGNATION

NE0555

PERIOD ENDED

December, 2012

## **Part C. SUBSCRIBER (ACCESS LINE), ROUTE MILE, & HIGH SPEED DATA INFORMATION**

### **4. BROADBAND SERVICE**

Details on Least Expensive Broadband Service								
EXCHANGE	No. Access Lines with BB available (a)	No Of Broadband Subscribers (b)	Number Of Subscribers (c)	Advertised Download Rate (Kbps) (d)	Advertised Upload Rate (Kbps) (e)	Price Per Month (f)	Standalone/Pckg (f)	Type Of Technology (g)
Henderson	831	551	235	768	384	23.00	StandAlone	Fiber to the Home
Total	831	551						



USDA-RUS  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>			BORROWER DESIGNATION NE0555  PERIOD ENDING December, 2012		
INSTRUCTIONS- See RUS Bulletin 1744-2					
<b>PART D. SYSTEM DATA</b>					
1. No. Plant Employees	2. No. Other Employees	3. Square Miles Served	4. Access Lines per Square Mile	5. Subscribers per Route Mile	
4	3	89	9.34	2.70	
<b>PART E. TOLL DATA</b>					
1. Study Area ID Code(s)  a. 371559 b. _____ c. _____ d. _____ e. _____ f. _____ g. _____ h. _____ i. _____ j. _____		2. Types of Toll Settlements (Check one)  <div style="display: flex; justify-content: space-between;"> <div>             Interstate: <input type="checkbox"/> Average Schedule               Intrastate: <input type="checkbox"/> Average Schedule           </div> <div> <input checked="" type="checkbox"/> Cost Basis   <input checked="" type="checkbox"/> Cost Basis           </div> </div>			
<b>PART F. FUNDS INVESTED IN PLANT DURING YEAR</b>					
1. RUS, RTB, & FFB Loan Funds Expended					1,582,006
2. Other Long-Term Loan Funds Expended					
3. Funds Expended Under RUS Interim Approval					
4. Other Short-Term Loan Funds Expended					
5. General Funds Expended (Other than Interim)					55,202
6. Salvaged Materials					
7. Contribution in Aid to Construction					
8. Gross Additions to Telecom. Plant (1 thru 7)					1,637,208
<b>PART G. INVESTMENTS IN AFFILIATED COMPANIES</b>					
INVESTMENTS  (a)	CURRENT YEAR DATA		CUMULATIVE DATA		
	Investment This Year	Income/Loss This Year	Cumulative Investment To Date	Cumulative Income/Loss To Date	Current Balance
	(b)	(c)	(d)	(e)	(f)
1. Investment in Affiliated Companies - Rural Development					
2. Investment in Affiliated Companies - Nonrural Development		(76,789)	20,000	1,826,644	1,846,644

**USDA-RUS**  
**OPERATING REPORT FOR**  
**TELECOMMUNICATIONS BORROWERS**

BORROWER DESIGNATION

NE0555

PERIOD ENDING

December, 2012

**PART H. CURRENT DEPRECIATION RATES**

Are corporation's depreciation rates approved by the regulatory authority with jurisdiction over the provision of telephone services? (Check one)

☒

YES

☐

NO

EQUIPMENT CATEGORY	DEPRECIATION RATE
1. Land and support assets - Motor Vehicles	14.00%
2. Land and support assets - Aircraft	
3. Land and support assets - Special purpose vehicles	
4. Land and support assets - Garage and other work equipment	8.00%
5. Land and support assets - Buildings	4.50%
6. Land and support assets - Furniture and Office equipment	15.00%
7. Land and support assets - General purpose computers	20.00%
8. Central Office Switching - Digital	8.00%
9. Central Office Switching - Analog & Electro-mechanical	
10. Central Office Switching - Operator Systems	
11. Central Office Transmission - Radio Systems	
12. Central Office Transmission - Circuit equipment	10.00%
13. Information origination/termination - Station apparatus	
14. Information origination/termination - Customer premises wiring	
15. Information origination/termination - Large private branch exchanges	
16. Information origination/termination - Public telephone terminal equipment	
17. Information origination/termination - Other terminal equipment	
18. Cable and wire facilities - Poles	
19. Cable and wire facilities - Aerial cable - Metal	
20. Cable and wire facilities - Aerial cable - Fiber	
21. Cable and wire facilities - Underground cable - Metal	7.00%
22. Cable and wire facilities - Underground cable - Fiber	5.00%
23. Cable and wire facilities - Buried cable - Metal	6.00%
24. Cable and wire facilities - Buried cable - Fiber	5.00%
25. Cable and wire facilities - Conduit systems	3.00%
26. Cable and wire facilities - Other	

USDA-RUS		BORROWER DESIGNATION	
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS		NE0555	
		PERIOD ENDED December, 2012	
INSTRUCTIONS – See help in the online application.			
PART I – STATEMENT OF CASH FLOWS			
1. Beginning Cash (Cash and Equivalents plus RUS Construction Fund)		3,146,941	
CASH FLOWS FROM OPERATING ACTIVITIES			
2. Net Income		231,635	
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities			
3. Add: Depreciation		337,359	
4. Add: Amortization		0	
5. Other (Explain) See Notes section		16,055	
Changes in Operating Assets and Liabilities			
6. Decrease/(Increase) in Accounts Receivable		21,432	
7. Decrease/(Increase) in Materials and Inventory		6,850	
8. Decrease/(Increase) in Prepayments and Deferred Charges		17,276	
9. Decrease/(Increase) in Other Current Assets		0	
10. Increase/(Decrease) in Accounts Payable		894,082	
11. Increase/(Decrease) in Advance Billings & Payments		3,921	
12. Increase/(Decrease) in Other Current Liabilities		2,847	
13. Net Cash Provided/(Used) by Operations		1,531,457	
CASH FLOWS FROM FINANCING ACTIVITIES			
14. Decrease/(Increase) in Notes Receivable		2,259	
15. Increase/(Decrease) in Notes Payable		0	
16. Increase/(Decrease) in Customer Deposits		685	
17. Net Increase/(Decrease) in Long Term Debt (Including Current Maturities)		1,311,569	
18. Increase/(Decrease) in Other Liabilities & Deferred Credits		0	
19. Increase/(Decrease) in Capital Stock, Paid-in Capital, Membership and Capital Certificates & Other Capital		9,805	
20. Less: Payment of Dividends		0	
21. Less: Patronage Capital Credits Retired		(33,097)	
22. Other (Explain) see notes section		(9,625)	
23. Net Cash Provided/(Used) by Financing Activities		1,281,596	
CASH FLOWS FROM INVESTING ACTIVITIES			
24. Net Capital Expenditures (Property, Plant & Equipment)		(2,038,054)	
25. Other Long-Term Investments		1,131,663	
26. Other Noncurrent Assets & Jurisdictional Differences		95,914	
27. Other (Explain) See notes section		(52,539)	
28. Net Cash Provided/(Used) by Investing Activities		(863,016)	
29. Net Increase/(Decrease) in Cash		1,950,037	
30. Ending Cash		5,096,978	

Revision Date 2010

USDA-RUS	BORROWER DESIGNATION
OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	NE0555
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012
NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS	
<p>PART C ITEM #4 COL (g) Broadband - 64% of the Broadband lines listed under "least expensive broadband service" are FTTH and the remaining 36% are ADSL.</p> <p>PART 1 - Statement of Cash Flows: Prepopulated amounts in the cash flow are not always an accurate representation of a correct cash flow statement. To make it "work" -</p> <p>Adjustments were made in <u>Line 5 Other</u>: Depr Non-reg \$4,001; Patronage Dividend Earned, but not received (\$89); Deferred Tax Expense \$5,805; Other Current Asset \$331; Equity Earnings from Subsidiary \$76,789; Recovery of Investment Impairment (\$18,002); Gain on Sale of Securities (\$42,172) and change in Other Accrued Tax (\$10,608)</p> <p>Adjustments were made in <u>Line 22 Other</u>: Correct non-cash change in other captial (\$9,625)</p> <p>Adjustments were made in <u>Line 27 Other</u>: Correct additions to plant in service (\$36,740); Correct for non-cash change in other long term investments (\$21,803); Proceeds from Recovery of prior Investment Impairment Loss \$18,002; Correct for Deferred Taxes (\$11,998)</p> <p>For an accurate cash flow statement for Henderson Cooperative, please refer to our audit report as submitted to RUS.</p>	

USDA-RUS  <b>OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	BORROWER DESIGNATION  NE0555
INSTRUCTIONS - See RUS Bulletin 1744-2	PERIOD ENDED December, 2012
<b>CERTIFICATION LOAN DEFAULT NOTES TO THE OPERATING REPORT FOR TELECOMMUNICATIONS BORROWERS</b>	

# **Van Hoet & Company, Chartered**

*Certified Public Accountants*

10985 Cody, Suite 100

Overland Park, KS 66210

BUS: (913) 696-1896 FAX: (913) 696-0210

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## **Independent Auditor's Management Letter**

To the Board of Directors  
Henderson Cooperative Telephone Company

We have audited the consolidated financial statements of Henderson Cooperative Telephone Company and subsidiaries for the year ended December 31, 2012 and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Henderson Cooperative Telephone Company for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered Henderson Cooperative Telephone Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henderson Cooperative Telephone Company's internal control. Accordingly, we do not express an opinion on the effectiveness of Henderson Cooperative Telephone Company's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. As discussed in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a deficiency that we consider to be a significant deficiency.

7 CFR Part 1773.33 requires comments on specific aspects of internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, at your request, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR 1773.33(e)(2), and related party transactions and investments. In addition, our audit of the financial statements also included the procedures specified in 7 CFR 1773.38 - .45. Our objective was not to provide an opinion on these specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports (other than our Independent Auditor's Report, and our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, all dated March 29, 2013) or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR 1773.33 are presented below.

#### **Comments on Certain Specific Aspects of the Internal Control Over Financial Reporting**

We noted no matters regarding Henderson Cooperative Telephone Company's internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records, except as noted in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*;
- The process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts; and,
- The materials control.

#### **Comments on Compliance with Specific RUS Loan and Security Instrument Provisions**

At your request, we have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations, contracts and grants. The procedures we performed are summarized as follows:

- Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract, agreement or lease between the borrower and an affiliate of Henderson Cooperative Telephone Company for the year ended December 31, 2012:
  1. Obtained and read a borrower-prepared schedule of new written contracts, agreements or leases entered into during the year between the borrower and an affiliate as defined in § 1773.33(e)(2)(i).
  2. Reviewed Board of Director minutes to ascertain whether board-approved written contracts are included in the borrower-prepared schedule.
  3. Noted the existence of written RUS approval of each contract listed by the borrower.
- Procedure performed with respect to the requirement to submit the Operating Report for Telecommunications Borrowers to the RUS:
  1. Agreed amounts reported in the Operating Report for Telecommunications Borrowers to Henderson Cooperative Telephone Company's records.

The results of our tests indicate that, with respect to the items tested, Henderson Cooperative Telephone Company complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has obtained written approval of the RUS to enter into any contract, agreement or lease with an affiliate as defined in §1773.33 (e)(2)(i); and
- The borrower has submitted its Operating Report for Telecommunications Borrowers to the RUS and the Report as of December 31, 2012, represented by the borrower as having been submitted to the RUS is in agreement with Henderson Cooperative Telephone Company's audited records in all material respects, and appears reasonable based upon the audit procedures performed.

#### **Comments on Other Additional Matters**

In connection with our audit of the consolidated financial statements of Henderson Cooperative Telephone Company, nothing came to our attention that caused us to believe that Henderson Cooperative Telephone Company failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR 1773.33(c)(1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33(c)(2);
- The retirement of plant addressed at 7 CFR 1773.33(c)(3) and (4);
- The approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material or scrap addressed at 7 CFR 1773.33(c)(5);



To the Board of Directors  
Henderson Cooperative Telephone Company  
Page Four

- The disclosure of material related party transactions, in accordance with FASB ASC 850-10-50, for the year ended December 31, 2012, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33(f); and
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of investments required by 7 CFR 1773.33(i), and provided below, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

	<b>Tri-Rural T.V.</b>	<b>Mainstay Technologies</b>
Original Investment Cost	\$ 5,000	\$ 1,000
Investment Advances as of 12/31/11	15,000	0
Dividends as of 12/31/11	0	0
Undistributed Earnings/(Losses) as of 12/31/11	<u>1,903,433</u>	<u>(160,562)</u>
Book Value of Investment as of 12/31/11	\$ 1,923,433	\$ (159,562)
Investment Advances for the year ending 12/31/12	0	0
Dividends for the year ending 12/31/12	0	0
Undistributed Earnings/(Losses) for the year ending 12/31/12	<u>(76,789)</u>	<u>(24,329)</u>
Book Value of Investment as of 12/31/12	<u>\$ 1,846,644</u>	<u>\$ (183,891)</u>

Tri-Rural T.V., Inc. (d/b/a Mainstay Satellite Systems) is a 100% owned subsidiary of Henderson Cooperative Telephone Company and is organized under the laws of the State of Nebraska. The Company provides high-speed wireless internet services through resell of WildBlue Communications satellite based services and through the use of 2.4GHz wireless technologies. Approximately 250 customers are served using these wireless technologies. In addition, the Company sells and services telephones, key systems, other telecommunications equipment and computer equipment.

Mainstay Technologies, LLC is a 100% owned subsidiary of Tri-Rural T.V. and is organized under the laws of the State of Nebraska. The Company provides high-speed wireless internet service via 2.4GHz, 3.65GHz and 5.8GHz wireless technologies to approximately 50 customers.

This report is intended solely for the information and use of the board of directors, management, the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties.

*Van Hoet + Company*

Overland Park, Kansas  
March 29, 2013